

## **AUDIT REPORT**

<b>Date:</b>	<b>March 9, 2021</b>
<b>Department:</b>	<b>Mesa Fire and Medical Department (MFMD)</b>
<b>Subject:</b>	<b>Emergency Medical Transportation Services and Billing</b>
<b>Lead Auditor:</b>	<b>Dawn von Epp, Sr Internal Auditor</b>

### **OBJECTIVE**

This audit was conducted to determine whether effective controls are in place within the MFMD emergency medical transportation program to ensure all eligible costs are recovered, billing services provided by the vendor meet contract terms, and other financial risks are mitigated.

### **SCOPE & METHODOLOGY**

The scope of the audit was claims issued and financial activities associated with emergency medical transportation services that occurred during fiscal year 2020 (FY20). To accomplish our objective, we performed the following:

- Interviewed MFMD and vendor staff.
- Reviewed procedures, contract documents, state statutes, federal regulations, and Centers for Medicare and Medicaid Services (CMS) manuals.
- Analyzed transportation records and vendor invoices.
- Performed detailed testing of transportation claims, payment amounts, and write-offs.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards, which require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **BACKGROUND & DISCUSSION**

The MFMD emergency medical transportation program began in November 2017 as a pilot program with 2 ambulances that were in service 40 hours a week; and has since expanded to 6 ambulances in service 12 hours a day 7 days a week. There are further plans to expand in the future. While the program is intended to provide resources to respond to low acuity (i.e., non-life threatening) transports, the MFMD transportation teams are also dispatched in critical situations that demand the closest ambulance to the scene.

Billing services for the program are conducted by the Daisy Mountain Fire District billing staff, through a vendor contract that is in effect until October 31, 2021. This service includes, but is not limited to the following:

- Using electronic Patient Care Reports (ePCRs) and transportation related files to prepare and submit claims and bills.
- Researching and appealing claim denials.
- Monitoring payments received and performing follow-up activities for those not received.
- Substantiating and then notifying MFMD staff of reimbursement requests.
- Providing MFMD staff with regular reporting on claims including associated payment and adjustment amounts.
- Identifying potentially bad debt claims for MFMD staff's review.

Transportation payment amounts vary by payer, i.e., Medicare, Medicaid, commercial insurance, and/or the patient. Medicare establishes annual Payment Schedules that dictate the amount they will pay for covered charges (usually between 38%-45% of the amount charged), Medicaid pays 68.59% of covered charges per A.R.S. §36-2239, commercial insurance companies are expected to pay 100% of covered charges, and patients may be required to pay deductibles or co-payments, or the full charges if they are not insured.

During FY20, 4,380 transportation claims/bills were issued and approximately \$2.27M in revenues were received. As payments may take 6 months or longer to be received, some of the revenues received in FY20 are associated with claims issued prior to FY20.

## **CONCLUSION**

In our opinion, MFMD has designed and implemented several effective controls within the program which include a quality check of ePCRs to verify transportation details are accurate before they are provided to the vendor, reconciling the quantity of ePCRs to claims/bills issued, ensuring payments received are reconciled to the vendor records and recorded in Advantage Financial, and verifying the vendor's invoices are accurate and approved prior to payment. However, some controls could be strengthened, which we have summarized below. For additional details and management's responses, please see the attached Issue and Action Plans (IAPs).

## **SUMMARY OF OBSERVATIONS & RECOMMENDATIONS**

- 1. Observation:** Review of transport claims has not been occurring, so inaccuracies were not corrected. 50 of 53 claims identified with errors were due to a programming mistake for a few commonly used medical supplies and mileage rates; while 3 claims contained entry errors.

**Recommendation 1-1:** Staff should review sampled claims for accuracy and completeness; the results of which should be communicated to management and to the vendor, as appropriate, for correction.

**Recommendation 1-2:** When rate changes are implemented, staff should ensure all rates in the billing system have been entered accurately.

- 2. Observation:** Write off guidance is not fully developed to address multiple scenarios allowing for inconsistent application for patient accounts. The procedure was issued prior to having processes in place in order to administer write-offs; therefore, the direction was limited.

**Recommendation 2-1:** Management should assess the write-off strategy annually to ensure that it encompasses the common causes for and takes into consideration the current volume and dollar amount of transport claims written-off.

**Recommendation 2-2:** Develop and communicate a comprehensive write-off guidance document that supports the write-off strategy.

**Recommendation 2-3:** Oversight should be conducted on a regular basis to verify compliance with the guidance.

- 3. Observation:** The reconciliation between dispatch and patient record data needs improvement. 21 of more than 4,000 transports were not recognized as missing when reconciling transport data which identifies a weakness in the control.

**Recommendation 3-1:** Ensure the reconciliation is designed to identify all MFMD transportations.

**Recommendation 3-2:** Management should review the reconciliation results to be aware of any obstacles that are preventing desired objectives and to verify that the control is performed regularly, and as designed.

## **Issue and Action Plan #1**

### **Issue #1: Lack of review of transportation claims led to uncorrected errors.**

**Observation:** MFMD staff have not been verifying the accuracy and completeness of claims; therefore, inaccuracies were not identified and corrected.

53 out of 60 randomly sampled transport claims contained errors. 50 were due to a programming mistake which caused incorrect charges in the billing system for a few commonly used medical supplies and mileage rates. This resulted in the wrong rate being applied each time a claim utilized those supplies/mileages. A few other errors were due to incorrect medication dosage charged or missing supplies.

**Criteria:** MFMD SOP 100.04 "Medical Billing Compliance Program", Internal Reviews Section, #b states

*"Post-billing review—A determination will be made as to whether the claim was appropriately billed and paid, and whether an overpayment or underpayment exists. In each case, compliance with all Medicare coverage criteria should be evaluated. A denied or "down coded" claim will be further reviewed and a decision made as to whether the claim should be appealed. At a minimum, this will be performed quarterly on a sample basis."*

**Comments:** The dollar amounts of the individual rate errors were very small ranging from \$0.01 to \$3.55 each; however, there is a potential for a larger impact when the rates are applied across a large volume of claims. Additionally, it's important that individuals be charged consistently and correctly.

**Recommendation(s) and Management's Action Plan(s):** **Recommendation #1-1:** Staff should review sampled claims for accuracy and completeness in compliance with departmental procedures. The results of the oversight should be communicated to management and to the vendor, as appropriate, for correction.

**Action Plan #1-1:** MFMD now performs a quarterly review of sampled claims for accuracy and completeness, the results of which are communicated to management and the billing provider for correction.

As with many of these recommendations, MFMD can implement stronger controls now that it has hired a dedicated compliance officer. The individual was hired prior to the end of the audit and began improving controls immediately.

**Individual or Position Responsible:** Transportation Compliance Officer (MFMD)

**Estimated Completion Date:** 1/4/2021 (already completed)

**Recommendation #1-2:** When rate changes are implemented, staff should ensure all rates in the billing system have been entered accurately.

**Action Plan #1-2:** To better control rates/charges, MFMD has significantly reduced the number of supplies charges being entered and requires two people to review the one-time entries to the billing system.

MFMD would like to emphasize that the primary cause of this finding was the one-time data entry error in the programming of small-dollar supplies charges. Once entered wrong, the billing system automatically carried those errors forward. Despite the errors, a separate control ensured that all patients were charged less than the State's allowed maximum (i.e., manufacturer suggested retail price).

**Individual or Position Responsible:** Transportation Compliance Officer (MFMD) and Billing operations administration (Business Services)

**Estimated Completion Date:** 1/4/2021 (already completed)

## **Issue and Action Plan #2**

### **Issue #2: Transportation claim write-off guidance is limited, resulting in inconsistent requests made of patients.**

**Observation:** A department procedure providing guidance for write-offs was issued prior to having processes in place to administer them and only provides direction on write-offs attributed to financial hardship. Of the 752 transport claims totaling \$454,636 that were written off in FY20, only 17 (~2%) were due to financial hardship, which allows subjectivity in the handling and approval of the majority of write-offs. The primary reason for write-offs was lack of payment by patients. Additionally, procedures to write-off accounts were not applied consistently. Some patients were required to submit documentation and others were not.

**Criteria:** MFMD SOP 100.04 "Medical Billing Compliance Program", Write-offs and Financial Hardship Waivers Section, states:

*"Write-offs, waivers of payments, and payment plans will be approved only by personnel designated by MFMD management based on documented financial hardships and ability to pay into account. Documentation should include verification of current employment/unemployment status and/or a copy of tax returns (or W-2 forms, at least) for the previous two (2) years. However, the MFMD management designee may accept lessor documentation in instances where it is unreasonable to request the preferred documentation (e.g., based on the cognitive ability of the patient)."*

**Comments:** The \$454,636 represents write-offs that were approved in FY 2020, but the services occurred in FY 2018, 2019, or 2020 as debt can be written off several months or years following a transport. The Arizona Department of Health Services (DHS) has provided guidance that a reasonable bad debt rate as a percentage of Routine Operating Revenue<sup>1</sup> is 7.2%. The department's bad debt rate was 10.7% for FY 2019 and so far in FY 2020 it is 5.3%. However, that rate is expected to rise as more transports are written off. Although the bad debt rate has been slightly higher than the reasonable rate, it is important that thorough procedures and guidance are developed to ensure write-offs are consistently applied and standards are met.

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<sup>1</sup> Arizona DHS uses accrual basis accounting which requires that Routine Operating Revenue is recorded when earned, (i.e., emergency medical transportation charges are recorded when the transportation occurs, not when the payment is received).

**Recommendation(s) and Management's Action Plan(s):** **Recommendation #2-1:** Management should assess the write-off strategy annually to ensure that it encompasses the common causes for and takes into consideration the current volume and dollar amount of transport claims written-off.

**Action Plan #2-1:** MFMD added the write-off SOP prematurely to assure we had a policy in place early on but did not intend to send patient bills to collections during the pilot phase on the program. Doing so would require sending patient bills to collections if payment were not received after 3 attempts. Now that the pilot phase has ended, MFMD will work with the Business Services Department to develop a new strategy and assess it annually.

**Individual or Position Responsible:** Emergency Transportation Administrator (MFMD) and Billing operations administration (Business Services)

**Estimated Completion Date:** 7/1/2021

**Recommendation #2-2:** Develop and communicate a comprehensive write-off guidance document that supports the write-off strategy.

**Action Plan #2-2:** MFMD will work with the Business Services Department to develop a comprehensive write-off/collections guidance document that supports the new strategy.

**Individual or Position Responsible:** Transportation Compliance Officer (MFMD) and Billing operations administration (Business Services)

**Estimated Completion Date:** 7/1/2021

**Recommendation #2-3:** Oversight should be conducted on a regular basis to verify compliance with the guidance.

**Action Plan #2-3:** MFMD will develop a process to regularly review compliance with the guidance.

**Individual or Position Responsible:** Transportation Compliance Officer (MFMD) and Billing operations administration (Business Services)

**Estimated Completion Date:** 7/1/2021



### **Issue and Action Plan #3**

#### **Issue #3: The FireCAD to Zoi ePCR reconciliation needs improvement.**

**Observation:** The FireCAD to Zoi ePCR reconciliation was not performed consistently and did not capture all transports.

FireCAD is the system that records MFMD dispatches including emergency medical transports. The Zoi ePCR system is used to record electronic patient records. A transport claim can only be issued if the Zoi ePCR record is identified as an MFMD transport. The FireCAD to Zoi ePCR reconciliation is intended to verify that MFMD transports are recorded as such and result in the issuance of a claim. We identified 21 instances of discrepancies out of 4,380 transports between the two data sets, but fortunately, in all but one case, claims had still been issued.

**Criteria:** Reconciliations are key oversight tools that ensure management objectives are reached or obstacles are identified.

**Comments:** While only 21 discrepancies were found verifying MFMD transports not only reduces potential loss of revenue but also ensures accurate quantities for measuring program objectives/goals.

**Recommendation(s) and Management's Action Plan(s):** **Recommendation #3-1:** Ensure the reconciliation is designed to identify all MFMD transports; reporting data collection issues to the appropriate system administrator(s), as needed.

**Action Plan #3-1:** MFMD has verified the effectiveness of the reconciliation and is now performing it multiple times per month.

**Individual or Position Responsible:** Transportation Compliance Officer (MFMD)

**Estimated Completion Date:** 1/4/2021 (already completed)

**Recommendation #3-2:** Management should review the reconciliation results to be aware of any obstacles that are preventing desired objectives and to verify that the control is performed regularly, and as designed.

**Action Plan #3-2:** MFMD management will review the reconciliation results.

**Individual or Position Responsible:** [Emergency Transportation Administrator \(MFMD\)](#)

**Estimated Completion Date:** [3/31/2021](#)